

REPORT**HERBERT WALLACE MEMORIAL
VOLUNTEER FIRE COMPANY****DECEMBER 31, 2010 AND 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/10/11

HERBERT WALLACE MEMORIAL
VOLUNTEER FIRE COMPANY

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DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

April 18, 2011

Board of Directors
Herbert Wallace Memorial
Volunteer Fire Company

We have audited the accompanying statements of financial position of Herbert Wallace Memorial Volunteer Fire Company (a Louisiana nonprofit corporation) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Herbert Wallace Memorial Volunteer Fire Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herbert Wallace Memorial Volunteer Fire Company as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2011 on our consideration of Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

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HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>ASSETS</u>	<u>2010</u>	<u>2009</u> (Restated)
CURRENT ASSETS:			
Cash and cash equivalents (Note 1)		\$ 31,802	\$ 15,419
Accounts receivable		<u>31,400</u>	<u>24,154</u>
Total current assets		<u>63,202</u>	<u>39,573</u>
PROPERTY AND EQUIPMENT: (Note 1)			
Equipment		107,237	104,273
Furniture and fixtures		<u>21,381</u>	<u>21,381</u>
Total		128,618	125,654
Less: accumulated depreciation		<u>(110,084)</u>	<u>(103,520)</u>
Net property and equipment		<u>18,534</u>	<u>22,134</u>
TOTAL ASSETS		<u>\$ 81,736</u>	<u>\$ 61,707</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:			
Accounts payable		\$ 68	\$ 2,979
Total current liabilities		<u>68</u>	<u>2,979</u>
Total liabilities		<u>68</u>	<u>2,979</u>
NET ASSETS:			
Unrestricted		<u>81,668</u>	<u>58,728</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 81,736</u>	<u>\$ 61,707</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (Restated)
UNRESTRICTED NET ASSETS:		
Revenues: (Note 1)		
Jefferson Parish contract	\$ 544,000	\$ 504,000
FEMA proceeds (Note 9)	-	65,204
Jefferson Parish insurance rebate	15,154	15,153
Insurance rebates	5,044	-
Other revenue	8,051	1,951
Total revenues	<u>572,249</u>	<u>586,308</u>
EXPENSES:		
Firefighting (Pages 4 and 5)	440,752	470,080
Support services:		
Administrative and general (Pages 4 and 5)	<u>108,557</u>	<u>110,376</u>
Total expenses	<u>549,309</u>	<u>580,456</u>
INCREASE IN UNRESTRICTED NET ASSETS	22,940	5,852
Net assets - beginning of period	<u>58,728</u>	<u>52,876</u>
NET ASSETS - END OF PERIOD	<u>\$ 81,668</u>	<u>\$ 58,728</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Firefighting</u>	<u>Administrative And General</u>	<u>Total</u>
EXPENSES: (Note 1)			
Auto repairs and upkeep	\$ 20,323	\$ -	\$ 20,323
Depreciation	6,564	-	6,564
Donations	-	50	50
Drinks and snacks	-	2,213	2,213
Dues and fees	-	287	287
Employee benefits	-	2,540	2,540
Flowers and gifts	-	395	395
Insurance	132,674	14,741	147,415
Meeting expenses	-	225	225
Miscellaneous	-	1,373	1,373
Office expense	-	2,328	2,328
Payroll service	-	5,636	5,636
Payroll taxes	20,747	2,305	23,052
Penalties and fines	-	9	9
Postage and meter	-	317	317
Professional services	-	12,516	12,516
Repairs - equipment, radios, trucks	10,323	-	10,323
Salaries	248,781	24,605	273,386
Station supplies	-	18,577	18,577
Telephone	-	2,760	2,760
Training and supplies	450	-	450
Uniforms	890	-	890
Utilities	-	17,680	17,680
	<u>-</u>	<u>17,680</u>	<u>17,680</u>
 TOTAL EXPENSES	 <u>\$ 440,752</u>	 <u>\$ 108,557</u>	 <u>\$ 549,309</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Firefighting</u>	<u>Administrative And General</u>	<u>Total</u>
EXPENSES: (Note 1)	(Restated)	(Restated)	(Restated)
Auto repairs and upkeep	\$ 17,364	\$ -	\$ 17,364
Depreciation	9,736	-	9,736
Donations	-	-	-
Drinks and snacks	-	2,821	2,821
Dues and fees	-	170	170
Employee benefits	-	1,800	1,800
Flowers and gifts	-	42	42
Insurance	151,180	16,798	167,978
Meeting expenses	-	408	408
Miscellaneous	-	3,102	3,102
Office expense	-	1,716	1,716
Payroll service	-	6,191	6,191
Payroll taxes	21,943	2,438	24,381
Penalties and fines	-	194	194
Postage and meter	-	533	533
Professional services	-	9,371	9,371
Repairs - equipment, radios, trucks	13,871	-	13,871
Salaries	253,244	28,138	281,382
Station supplies	-	15,785	15,785
Telephone	-	2,514	2,514
Training and supplies	449	-	449
Uniforms	2,293	-	2,293
Utilities	-	18,355	18,355
	<u>-</u>	<u>18,355</u>	<u>18,355</u>
 TOTAL EXPENSES	 <u>\$ 470,080</u>	 <u>\$ 110,376</u>	 <u>\$ 580,456</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 22,940	\$ 5,852
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	6,564	9,736
Decrease in accounts payable	(2,911)	(617)
Increase in accounts receivable	(7,246)	(24,154)
Net cash provided (used) by operating activities	<u>19,347</u>	<u>(9,183)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	<u>(2,964)</u>	<u>(1,407)</u>
Net cash used in investing activities	<u>(2,964)</u>	<u>(1,407)</u>
 INCREASE (DECREASE) IN CASH	16,383	(10,590)
 Cash and cash equivalents at beginning of period	<u>15,419</u>	<u>26,009</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 31,802</u>	<u>\$ 15,419</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

ORGANIZATION:

Herbert Wallace Memorial Volunteer Fire Company (the fire company) began operating as a nonprofit corporation on March 17, 2003 to provide the citizens in the Seventh Fire Protection District with fire protection and related services. The fire company also responds to emergencies such as floods and hurricanes. The fire company is under a month-to-month contract with Jefferson Parish. The majority of the fire company's revenue was derived from this contract. The fire company operates one fire station and has eleven paid employees and no volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the fire company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Financial statement presentation follows the recommendations of FASB ASC 958-225, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-225, the fire company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the fire company is required to present a statement of cash flows. At December 31, 2010 and 2009, the fire company had only unrestricted net assets.

The statement of activities presents expenses of the fire company's operations functionally between program services for firefighting and administrative and general. Those expenses which cannot be functionally categorized are allocated among functions based upon management's estimate of usage applicable to conducting those functions.

Contributions:

The fire company adopted FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Sources of Revenue:

Herbert Wallace Memorial Volunteer Fire Company is one of five contractual fire companies of the Seventh Fire District, Parish of Jefferson. The Seventh Fire District of the Parish of Jefferson levies an ad valorem tax on assessed property of the district. The sum of this collection is distributed to the five contractual volunteer fire companies of the district on a monthly pro-rata basis. The monthly allocation to the fire company for 2010 and 2009 was \$45,334 and \$42,000, respectively.

The fire company also participates in a fire insurance tax rebate program with Jefferson Parish. Jefferson Parish receives a rebate on the State of Louisiana's two percent (2%) fire insurance tax collected by the Commissioner of Insurance. The State of Louisiana determines the amount to be received by each fire district based on total population served. Herbert Wallace Memorial Volunteer Fire Company shares in the amount received by the Seventh District with each of the other four fire companies. The insurance rebate received during 2010 and 2009 was \$15,154 and \$15,153, respectively.

Property and Equipment:

The fire company capitalizes purchases of assets with a cost of \$500 or more. Property and equipment consists of equipment and furniture and fixtures that are carried at historical cost. All assets are depreciated over their estimated useful lives on the straight-line basis. Depreciation expense for 2010 and 2009 was \$6,564 and \$9,736, respectively.

The fire company's policy is to depreciate the buildings and equipment over their estimated useful lives using the straight-line method and to annually evaluate the remaining useful lives. It is at least reasonably possible that the fire company's estimate of the remaining useful lives will change in the near term.

Cash and Cash Equivalents:

For the purposes of reporting of cash flows, the fire company considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. Supplemental disclosures of cash flow information are as follows:

Cash paid during the year for:

Interest	\$ - -	\$ - -
Income Taxes	\$ - -	\$ - -

Deposits:

The fire company's bank deposits were fully covered by federal depository insurance and by securities pledged by the financial institution and held in the name of the fire company.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services:

Amounts have not been reflected in the financial statements for donated services because the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the fire company's program services.

2. INCOME TAXES:

The fire company is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit organization and, accordingly, the financial statements do not reflect a provision for income taxes. The fire company's federal Return of Organization Exempt from Income Tax (Form 990) for 2009, 2008 and 2007 are subject to examination by the IRS, generally for three years after they are filed.

3. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. COMPENSATED ABSENCES:

During the year ended December 31, 2006, the fire company instituted a policy where no amounts for compensated absences are carried over to the subsequent year. If vacation time is not utilized by December 31 of each year, the time is forfeited. Due to this policy there is no liability for compensated absences as of December 31, 2010 and 2009.

5. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the fire company, they are not included in these financial statements.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS:

FASB ASC 825-10, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The book value of cash and cash equivalents, accounts receivable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

7. ECONOMIC DEPENDENCY:

Substantially all of the Company's public support is derived from funds provided by Jefferson Parish. The Company has a contract with Jefferson Parish, effective June 1, 2004, under which the Company receives a percentage of certain ad valorem taxes assessed within the Seventh Fire Protection District of Jefferson Parish, as well as additional funding from sales taxes and fire insurance rebates. Management is not aware of any plans on the part of Jefferson Parish to terminate the contract.

8. USE OF ASSETS OWNED BY JEFFERSON PARISH:

The fire station and fire trucks are owned by Jefferson Parish. The fire company uses these assets as part of the contract with Jefferson Parish. All other equipment is owned by the fire company.

9. FEMA PROCEEDS:

During 2009, the fire company received FEMA proceeds in the amount of \$65,204 for equipment damages and overtime wages.

10. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These allocations are based upon management's estimate of usage applicable to conducting the programs and supporting services.

11. DATE OF MANAGEMENT'S REVIEW:

Subsequent events have been evaluated through April 18, 2011, which is the date the financial statements were available to be issued.

12. LITIGATION:

The fire company is a defendant in a lawsuit filed by a former employee for wrongful termination and slander. The litigation process has just begun and it is not possible to make an estimate of exposure at this time. The fire company has responded by denying the allegations and filing countersuit against the former employee for allegations of payroll theft regarding overtime and leave pay.

13. RECLASSIFICATIONS:

Certain amounts in 2009 have been reclassified to conform to 2010 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

14. RESTATEMENT:

The accompanying financial statements for 2009 have been restated to account for receivables relating to employee theft that occurred in 2009. The matter regarding the theft had been reported as finding 10-01. Management informed us that the Chief was terminated in January 2011 and they have forwarded the information regarding this matter to the local authorities. The effect of the restatement was as follows:

	<u>Balance</u> <u>December 31, 2009</u>	<u>Restatement</u>	<u>Balance</u> <u>December 31, 2009</u> <u>Restated</u>
Accounts receivable	\$ --	24,154	\$ 24,154
Net assets	(34,574)	(24,154)	58,728
Salaries	305,536	(24,154)	281,382
Increase in unrestricted net assets	\$ (18,302)	24,154	5,852



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

April 18, 2011

To the Board of Directors
Herbert Wallace Memorial
Volunteer Fire Company

We have audited the financial statements of Herbert Wallace Memorial Volunteer Fire Company (the "Company") (a Louisiana nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated April 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency 10-01 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies 10-02, 10-04 and 10-05 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Herbert Wallace Memorial Volunteer Fire Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 10-03.

Herbert Wallace Memorial Volunteer Fire Company's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Herbert Wallace Memorial Volunteer Fire Company's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF CURRENT YEAR FINDINGS
DECEMBER 31, 2010

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion on the financial statements of Herbert Wallace Memorial Volunteer Fire Company for the year ended December 31, 2010 was unqualified.
2. Internal Control
Material weakness: 10-01
Significant deficiencies: 10-02, 10-04, 10-05
3. Compliance and Other Matters
Noncompliance material to financial statements: 10-03

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

10-01 Segregation of Duties Regarding Payroll

Condition and Criteria

The fire company has controls in place for oversight of its payroll process, although it does not appear to be following the procedures set forth by management which have caused the controls to not operate as intended. During the year, it was discovered that the Chief of the Station received \$31,400 in unauthorized compensated time. The Chief was allowed to be compensated for comp time over several pay periods, but did not notify the payroll provider to stop paying the comp time once paid in full. Management informed us that the Chief was terminated in January 2011 and they have forwarded the information regarding this matter to the local authorities.

Cause

The payroll reports were not being examined by a member of the board as prescribed by management. The payroll was compiled and authorized by the Chief without a review of payroll records by management. SAS 115 requires that we report this as a material weakness in internal control.

Recommendation

It is recommended that the Board of Directors appoint a member of the board or other member of management to authorize payroll for release once it has been processed by a separate member of management such as the Chief. This process is intended to allow a review of payroll payments before they are released. We feel this will promote the proper use of controls that are in place to prevent fraud from occurring in the future.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF CURRENT YEAR FINDINGS
DECEMBER 31, 2010

10-01 Segregation of Duties Regarding Payroll (Continued)

Management's Response

The fire company has implemented new procedures involving payroll reporting. Employees will be required to use a time clock when they arrive and leave work each day. Payroll must be approved by the station administrator or other board member before being submitted to the payroll provider. Overtime will no longer be allowed and comp time earned will no longer be carried forward. The fire company's new policy regarding comp time is that it must be used within the same week that it was accumulated.

10-02 Financial Statement Preparation

Condition and Criteria

The fire company does not have controls in place internally for preparation of its financial reporting and for preparation of financial statements and related footnotes. As is common in small organizations, the fire company has chosen to engage the auditor to prepare the fire company's annual financial statements. This condition is intentional by management, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Cause

Statement of Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response

In response to the finding, management feels that it is a prudent use of public funds to engage the auditor to prepare the fire company's annual financial reports and related footnotes. We therefore agree with the auditor's recommendation that no corrective action is necessary.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

10-03 Improper Use of Public Funds

Condition and Criteria

During the year, the Station made a cash donation as well as purchased flowers for ill employees and family members and funerals. State Law prohibits the use of public funds received through special tax levies for the purchase of goods and services that do not provide a benefit to the general public.

Cause

Public funds deposited into the general operating checking account were used to make these purchases. The funds in this account are received through taxes collected from residents of Jefferson Parish and therefore are considered public funds. SAS 115 requires that we report this as a significant deficiency.

Recommendation

The Station has a private account which is where privately raised funds are deposited. We recommend that this account be used for making donations, including gifts and flowers for employees and their family members.

Management's Response

The fire company will no longer use the general fund to make donations to charitable organizations or to purchase gifts and flowers for employees or their families. All future purchases will be made using the private account which consists of funds raised privately by the Station employees.

10-04 Fuel Usage

Condition and Criteria

The Station uses a service to monitor mileage and fuel usage on company vehicles. It appears that management does not have procedures in place to monitor fuel usage reported by the service. There were discrepancies in mileage noted such as instances of missing and out of sequence odometer readings. On several occasions the vehicles were being filled within several days of each other.

Cause

The Station does not have controls in place for monitoring the use of the company fuel cards. SAS 115 requires that we report this as a significant deficiency.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

10-04 Fuel Usage (Continued)

Recommendation

We recommend that a member of the board or the station administrator review the invoices when they are received and reconcile any discrepancies noted. Management should also examine invoices for reasonable fuel usage. We also recommend that the invoices be paid in a timely manner to avoid the Station from incurring future late fees.

Management's Response

Management has already begun implementing procedures to monitor and control fuel usage. Station vehicles are fueled every two weeks by the station administrator. The station administrator reviews the invoices weekly and makes payments online each week to avoid late fees.

10-05 Station Rental

Condition and Criteria

There were several instances in which the Station was rented out for various functions. It appears that controls are not in place to ensure that funds are collected and deposited into the Station account. The Station has copies of receipts as well as signed contracts given to the persons renting the Station which were received after the rentals took place. The Station does not have policies in place regarding the rental of the station.

Cause

The Station employees that were renting the Station and taking payment were not turning in contracts or depositing the money into the bank account. SAS 115 requires that we report this as a significant deficiency.

Recommendation

We recommend that a member of the board sign and approve all contracts and agreements involving Station rental, as well as depositing the money collected in a timely manner as to avoid large amounts of cash on hand.

Management's Response

Management has already implemented a policy stating that they will no longer rent the station.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF PRIOR YEAR FINDINGS:

09-01 Financial Statement Preparation

This finding is repeated in the current year as finding 10-02.